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# Has the Traditional CEO Become Irrelevant?

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Up until the first decade of this century, most companies had just a CEO, CFO, COO and maybe a CIO. Today, ever-increasing facets of an organization are managed at very senior levels in specialized roles, and it is not uncommon to see companies with CROs, CHROs, CDOs, CMOs, CPOs and even CAOs (Chief Administrative Officers). Does this emergence of specialist CxO-led silos mean the CEO is not as important as they used to be?



## Historical Overview

Back in the early part of the 20th century, the industrial management system created by American mechanical engineer Frederick Taylor brought management science to the factory floor, and business owners had a scientific way to raise productivity. The title Chief Executive Officer (CEO) was also thought to have first come into being around this time, roughly the time when the modern managerial form of corporate business was established, with people hired to run functions and business units.

By the 1960s, a large cadre of professional managers had begun moving into top roles. The executive suite consisted of a variety of top leaders, most commonly in finance, planning/strategy, operations, manufacturing, and sales, all with their own organizational structure down the line. During this time, the CEO was the highest ranking manager of a company, whether or not they were an owner. The CEO selected the top executive team (promoted internally or brought in from outside), supervised the allocation of resources, and monitored the performance of the organization to ensure that it continued to grow revenues and profits.

## The Internet: A Gamechanger

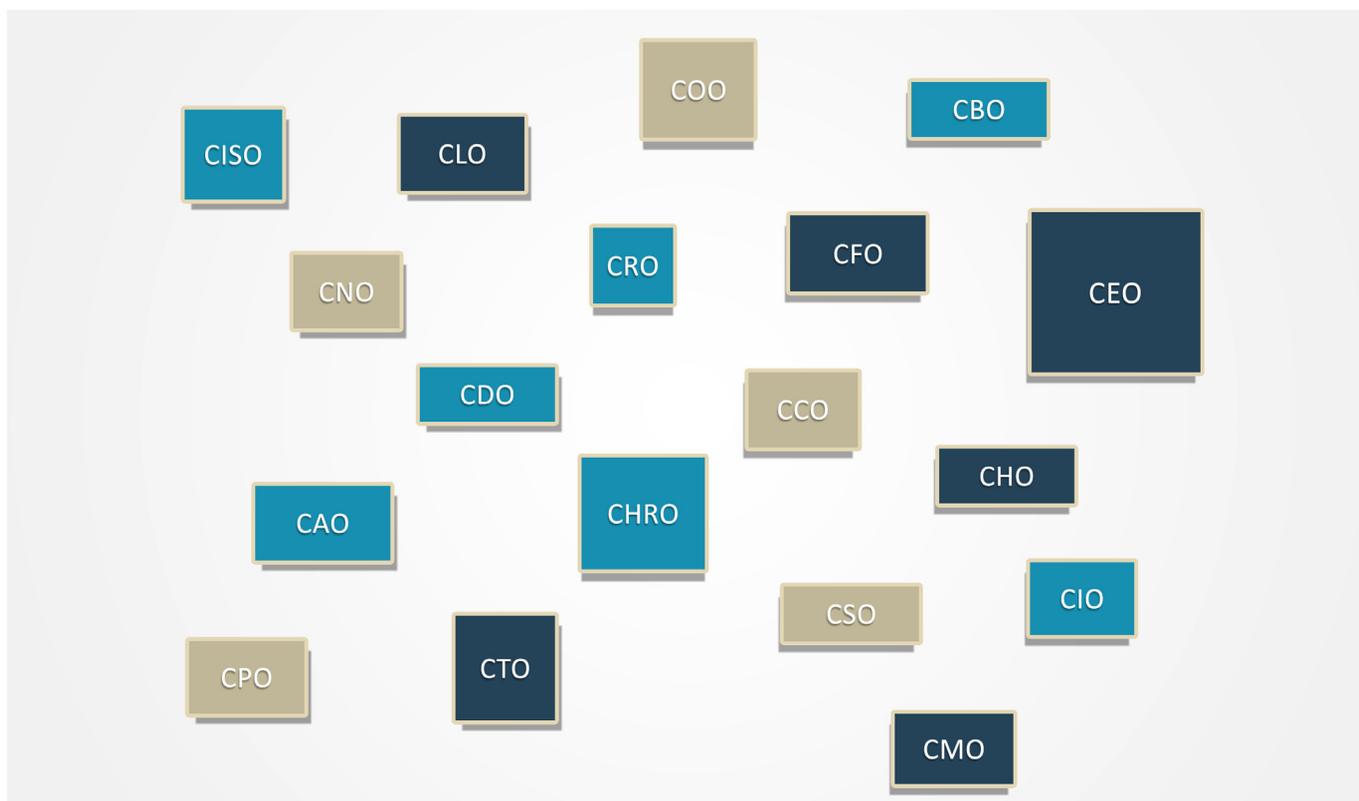
With the rise of the internet and a globally connected world in the early part of this century, a high degree of disruption took place in the vast majority of industries. The operating landscape changed both quickly and fundamentally: competition was no longer restricted to national borders – it became global.

Today, after more than two decades of internet-led disruption and assimilation, the operations of a huge number of companies have become truly distributed on a global scale. Organizations can design products in one location, have them produced in another, with raw materials supplied from somewhere else, and sell these in a different corner of the world.

Simultaneously, and perhaps more importantly, businesses are becoming more specialized and are focused on what they do best. This is leading to a clustering of the global economy into three broad types of businesses:

1. Those that provide unique products or services: a BMW car or a Johnnie Walker whisky
2. Those who bring multiple products and services together to serve a large base of customers via a differentiated set of capabilities: eBay, Rakuten
3. Those who provide the underlying foundations of running a global business today, i.e. the technology systems and the infrastructure needed to connect far flung supply chains and markets: Microsoft, UPS.

For companies in any of these clusters, a mastery of technology across the value chain will be key. Economies of scale will no longer be a competitive advantage as small companies will be able to compete effortlessly and grow their operations quickly and at minimal cost. For example, consider the effect that 3D printing is having on manufacturing or the effect that EdTech is having on universities and colleges.



## Specialization - An Essential Competitive Ingredient

The combined impact of these changes is that the skills required in the executive suite are becoming more specialized as organizations are grappling with how to survive – and prosper – in a world where their businesses are getting disrupted frequently.

Take the example of the Chief Information Officer (CIO). In the 70s and 80s when information systems were centralized (i.e. data was processed in batch mode at a centralized computing facility), it was common for companies to have a head of Electronic Data Processing. When information systems became more distributed and computing power was put in the hands of end users, this role morphed into that of a CIO.

But in the last decade or so, the CIOs of yesteryear have been inadequately prepared to bring their organizations up to speed on the possibilities – and threats - presented by new age digital technologies. Data processing has given way to data science and analytics. Cloud computing is replacing the traditional data center. Customers either make purchasing decisions after researching the options thoroughly via the internet or are purchasing products and services directly online. Organizations also increasingly face information security threats as they are connected to global networks.

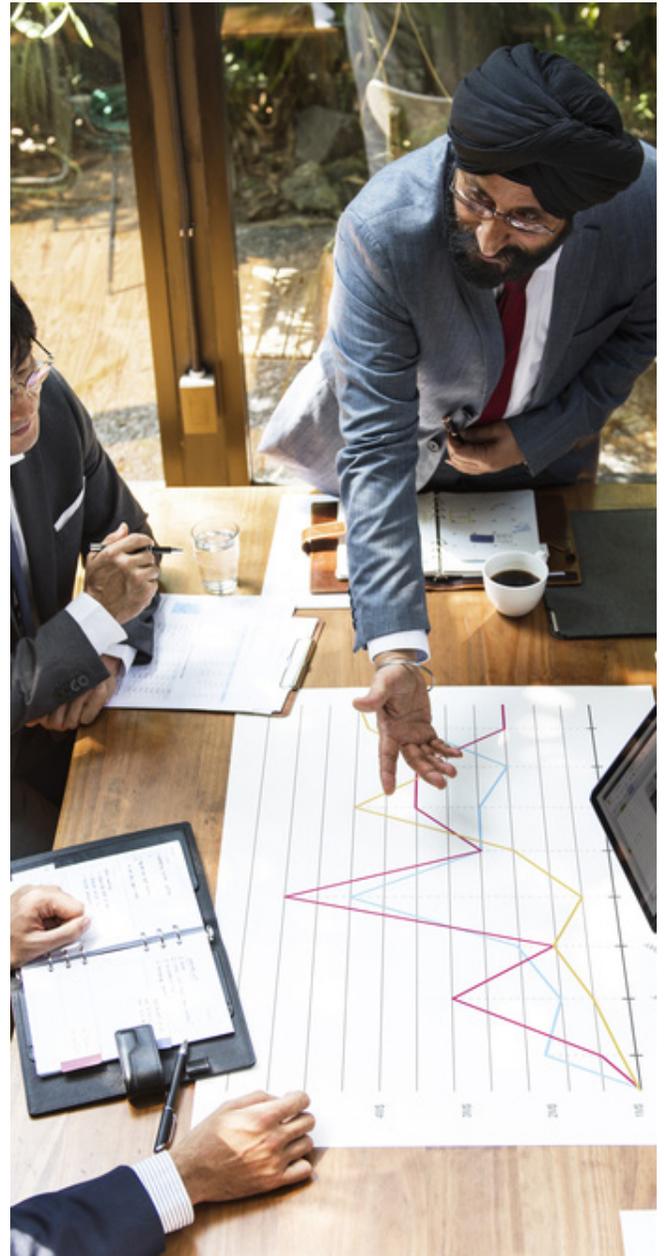
As a result, specialized skills and capabilities that are the remit of Chief Digital Officers, Chief Data Officers, and Chief Information Security Officers are now being brought in to help organizations compete effectively. And in many cases, these executive roles are now reporting to the CEO directly and not necessarily to the CIO.

Similarly, the Chief Product Officer is now becoming a role in its own right – independent of the Chief Marketing Officer. Risk is becoming a function separate from the CFO, reporting directly to the board in some cases, as mitigating financial, compliance and enterprise risks has become critical for organizations across industry sectors.

With this sharp increase in the number of specialized functions, many of whom report directly to the CEO, what then is the function of the CEO? Has the role of CEO become redundant, or at least more irrelevant? If not, how has it changed over the years?

### The Agile, Collaborative and Focused CEO

The addition of specialized roles to the C-suite ranks does not mean that the CEO's role has reduced. However it does mean that today's CEOs have to be more agile as they face challenges that their predecessors never dreamed of.



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Gone are the days of long-range plans that relied on stable and predictable markets and supply chains. In an unpredictable world where global market conditions can change in days rather than years, successful CEOs must be agile. Being nimble-footed and adaptable is more beneficial than the ability to plan for the long term, although not at the cost of having a clear vision for the organization.

Gone also are the days when the CEO would say, “this is how we will do it” and that was it. Today, the CEO must acknowledge that they do not know everything and that unpredictable markets and globally connected ecosystems mean that they must rely on specialized skills and knowledge to navigate the world. They must collaborate effectively with the executive team as well as external experts (when needed) in order to charter their ships through choppy waters.

Increasingly, new leadership skills are required to manage a more mobile, more aware and multi-generational workforce. And mobility in this context does not just mean geographical mobility; it also means mobility across industry sectors. The CEO will be dealing with people who do not accept the status quo as they may not be from within the same industry sector; they may question key assumptions based on what they have seen in other industries. A strong corporate culture, underpinned by a robust talent strategy, is key to ensuring that all employees, regardless of age and position in the organization hierarchy, feel a sense of meaning, purpose, and engagement in their work.

It is unlikely that today’s CEO will be specifically adept in any of the three clusters of business types that we discussed earlier in this piece. The career path of today’s CEOs will be more focused and depend on the kind of business for which they are best suited, and this will be shaped not only by experience but also inherent behavioral traits that make them suitable for one type of business vs. the other.

Far from becoming irrelevant, CEOs are even more important today. Yet with ever-more CxO functions reporting into them, and organizations being challenged by a myriad of transformative changes (digital, consumer behavior, supply-chain, demographics etc.), only those with focus, agility and collaborative skill-sets are likely to thrive.



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